



House Bill No. 6304

Public Act No. 17-227

AN ACT CONCERNING THE USE OF COMBINED HEAT AND POWER AND DISTRICT HEATING SYSTEMS AND REQUIRING A STUDY OF THE VIABILITY OF NEW DISTRICT HEATING NETWORKS IN THE STATE AS PART OF THE COMPREHENSIVE ENERGY STRATEGY.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective from passage*) (a) For purposes of this section:

(1) "Authority" means the Public Utilities Regulatory Authority;

(2) "Owner of the generating unit" means the owner of a combined heat and power system, as defined in section 16-1 of the general statutes;

(3) "Thermal energy transportation company" has the same meaning as provided in section 16-1 of the general statutes;

(4) "Thermal energy supply agreement" means an agreement between the owner of the generating unit and a thermal energy transportation company, either directly or through a parent company or a subsidiary or affiliate of such company, for the delivery of the thermal energy generated by a generating unit; and

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(5) "Thermal service supply agreement" means an agreement between a thermal energy transportation company and a thermal energy customer.

(b) For purposes of this section, the electric distribution company that serves the city of Bridgeport shall be the owner of the generating unit and a thermal energy transportation company that is authorized to provide thermal energy in the city of Bridgeport shall be the thermal energy transportation company. The owner of the generating unit may build, own, operate and maintain a combined heat and power system in the city of Bridgeport that has a nameplate capacity rating of not more than ten megawatts. Such system may include fuel cells.

(c) If the owner of the generating unit decides to build, own, operate and maintain a combined heat and power system pursuant to subsection (b) of this section, such owner of the generating unit shall:

- (1) Conduct a competitive bidding process to procure such system from a manufacturer, provided such system shall be in a configuration compatible for use with a district heating system, as defined in section 16-258d of the general statutes, and shall be installed at a location that will maximize the efficient use of the thermal energy from such system by the thermal energy transportation company;
- (2) on or before September 1, 2017, submit a proposal to build such system to the Public Utilities Regulatory Authority for approval;
- (3) prior to commencing construction of the system, enter into a thermal energy supply agreement with the thermal energy transportation company, either directly or through such thermal energy transportation company's parent company or a subsidiary or affiliate of such company;
- (4) install and operate a metering system for such system;
- and (5) ensure that the combined heat and power system achieves commercial operation not later than sixteen months after it enters into the agreement pursuant to subdivision (3) of this subsection.

(d) The Public Utilities Regulatory Authority shall evaluate any

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proposal received pursuant to subdivision (2) of subsection (c) of this section. The authority shall approve a proposal if it finds that (1) the generating unit complies with the requirements of this section, and (2) such unit serves the long-term interest of ratepayers. The authority shall find that such unit serves the long-term interest of ratepayers if such unit's capital cost to ratepayers, as determined by the results of the competitive bidding process, does not exceed the capital cost to ratepayers of the fuel cell projects of the electric distribution company that serves the city of Bridgeport that were approved by the authority pursuant to section 16-244v of the general statutes. The authority shall not approve any unit supported in any form of cross subsidization by entities affiliated with the owner of the generating unit. Any approval given pursuant to this section shall be deemed rescinded two years after the date of such approval if no agreement is entered into pursuant to subdivision (3) of subsection (c) of this section.

(e) The owner of the generating unit shall not recover more than the full costs of the combined heat and power system, as approved by the authority. Nothing in this section shall preclude the sale or other disposition of electricity by the owner of the generating unit from the combined heat and power system, provided the owner of the generating unit shall net the cost of payments against the proceeds of the sale of electricity and the difference shall be credited or charged to such owner of the generating unit's distribution customers. Such cost calculation shall take into account the investment, depreciable life, property taxes including any abatements or exemptions, operation and maintenance costs and debt and equity return on investment as determined by the authority. Such net cost or net revenue shall be credited or charged to distribution customers through a nonbypassable federally mandated congestion charge, as defined in section 16-1 of the general statutes, as determined by the authority.

(f) The owner of the generating unit shall deliver to the thermal

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energy transportation company, either directly or through such thermal energy transportation company's parent company or a subsidiary or affiliate of such company, at no cost to such thermal energy transportation company: (1) The total thermal energy generated by the unit, (2) all capacity payments received for such unit, (3) any environmental attributes including, but not limited to, renewable energy credits associated with the electricity generated by such unit, and (4) all other attributes associated with the electricity generated by such unit.

(g) The thermal energy transportation company shall, with the assistance of the owner of the generating unit, (1) register the combined heat and power system with the authority as a renewable energy source, (2) register any renewable energy credits in the New England Power Pool Generation Information System, and (3) certify the amount of renewable energy credits generated by the combined heat and power system based on the metering system installed and operated by the owner of the generating unit.

(h) Any thermal service supply agreement between the thermal energy transportation company or its parent company or a subsidiary or affiliate of such company and a customer shall contain commercial and economic provisions sufficient to meet the thermal energy needs of such customer as mutually agreed to by the parties.

(i) Any municipality may, by vote of its legislative body, abate all or a portion of the property tax for a property on which a generating unit is constructed pursuant to this section.

(j) One year after any generation unit pursuant to this section becomes operational, and every two years thereafter, the commissioner shall request from the thermal energy transportation company any data or information the commissioner determines is necessary to write a report, in accordance with the provisions of chapter 14 of the general

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statutes, regarding the viability of new district heating networks in the state. The thermal energy transportation company shall provide all requested information to the commissioner not later than thirty days after the commissioner requests such information. Not later than sixty days after receiving such information from the thermal energy transportation company, the commissioner, in accordance with section 11-4a of the general statutes, shall provide such report to the joint standing committee of the General Assembly having cognizance of matters relating to energy.

Sec. 2. Subsection (a) of section 16a-3d of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

(a) On or before October 1, 2016, and every three years thereafter, the Commissioner of Energy and Environmental Protection shall prepare a Comprehensive Energy Strategy. Said strategy shall reflect the legislative findings and policy stated in section 16a-35k and shall incorporate (1) an assessment and plan for all energy needs in the state, including, but not limited to, electricity, heating, cooling, and transportation, (2) the findings of the Integrated Resources Plan, (3) the findings of the plan for energy efficiency adopted pursuant to section 16-245m, (4) the findings of the plan for renewable energy adopted pursuant to section 16-245n, and (5) the Energy Assurance Plan developed for the state of Connecticut pursuant to the American Recovery and Reinvestment Act of 2009, P.L. 111-5, or any successor Energy Assurance Plan developed within a reasonable time prior to the preparation of any Comprehensive Energy Strategy. Said strategy shall further include, but not be limited to, (A) an assessment of current energy supplies, demand and costs, (B) identification and evaluation of the factors likely to affect future energy supplies, demand and costs, (C) a statement of progress made toward achieving the goals and milestones set in the preceding Comprehensive Energy

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Strategy, (D) a statement of energy policies and long-range energy planning objectives and strategies appropriate to achieve, among other things, a sound economy, the least-cost mix of energy supply sources and measures that reduce demand for energy, giving due regard to such factors as consumer price impacts, security and diversity of fuel supplies and energy generating methods, protection of public health and safety, environmental goals and standards, conservation of energy and energy resources and the ability of the state to compete economically, (E) recommendations for administrative and legislative actions to implement such policies, objectives and strategies, (F) an assessment of the potential costs savings and benefits to ratepayers, including, but not limited to, carbon dioxide emissions reductions or voluntary joint ventures to repower some or all of the state's coal-fired and oil-fired generation facilities built before 1990, [and] (G) the benefits, costs, obstacles and solutions related to the expansion and use and availability of natural gas in Connecticut, and (H) beginning with the strategy to be prepared on or before October 1, 2019, and strategies prepared thereafter, a study of the viability of new district heating networks in the state including, but not limited to, recommendations for financing such district heating networks. If the department finds that [such] expansion of the use of natural gas is in the public interest, it shall develop a plan to increase the use and availability of natural gas.

Vetoed July 11, 2017